

VZCZCXRO2452  
RR RUEHRG  
DE RUEHBR #1819/01 2671513  
ZNR UUUUU ZZH  
R 241513Z SEP 07  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC 0020  
INFO RUEHRG/AMCONSUL RECIFE 7158  
RUEHSO/AMCONSUL SAO PAULO 0853  
RUEHRI/AMCONSUL RIO DE JANEIRO 5146

UNCLAS SECTION 01 OF 03 BRASILIA 001819

SIPDIS

SENSITIVE  
SIPDIS

STATE PASS TO E FOR TOM PIERCE  
STATE FOR WHA/EPSC LISA KUBISKE  
STATE FOR S/P WILLIAM MCILHENNY  
STATE FOR EEB/CIP, EEB/TRA

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [ECIN](#) [EAIR](#) [ECPS](#) [TSPA](#) [BR](#)

SUBJECT: BRAZIL: UNDER SECRETARY JEFFERY LEADS ECONOMIC DISCUSSION  
WITH GOB COUNTERPART AZEVEDO

BRASILIA 00001819 001.2 OF 003

11. (U) Summary: Following up on a March conversation between the Secretary and Foreign Minister Amorim, Under Secretary Jeffery,

SIPDIS

along with Ambassador Sobel and State Department officers, in an August 20 discussed with Brazilian Ministry of External Affairs (MRE) Under Secretary Roberto Azevedo and his economic team possible topics for deeper economic engagement between the State Department and MRE. Both sides agreed that an over-arching theme for dialogue between State and MRE should be rising to the challenges of globalization. Azevedo suggested that discussions might be most useful if they focused on a positive agenda and did not try to resolve issues, such as a tax treaty, that are already under discussion in different fora or have gone unresolved for some time. He proposed topics he had discussed with Foreign Minister Amorim, including what Brazilian membership in the OECD might entail; the Millennium Challenge Account Program; private sector engagement; the investment climate; civil aviation cooperation; and financial inter-connectivity of markets in a global economy. The GoB did not rule out including some form of telecommunication discussion in future economic meetings. Both sides agreed to consider these ideas (and any others) as a possible agenda for a dialogue. Azevedo suggested we work quickly toward an initial agenda so that we could report to Secretary Rice and FM Amorim before their next meeting, as yet unplanned. End summary.

12. (U) On August 20, Under Secretary Reuben Jeffery III, along with Ambassador Sobel and State Department officers from E, S/P and WHA, discussed with Brazilian Ministry of External Affairs (MRE) Under Secretary Roberto Azevedo and his economic team possible topics for

SIPDIS

deeper economic engagement between the State Department and MRE. Under Secretary Roberto Azevedo opened the meeting by espousing a focus on a new and positive agenda, in lieu of readdressing topics that have gone unresolved for years (such as double-taxation) or issues that are covered in other bilateral forums. He noted that, although the USG and GoB have a close relationship, there is no ongoing (broad-ranging) economic discussion between the Department of State and the MRE. Under Secretary Jeffery suggested that these economic discussions could serve to formalize economic issues at the policy level with a view towards moving forward existing issues in some areas. Ambassador Sobel pointed out that we should not discount the positive influence of our respective foreign ministries and used Foreign Minister Amorim's influence on double taxation as an example.

13. (U) The under secretaries agreed that rising to the challenges of globalization is important to both countries and that a dialogue between the foreign ministries could help develop consensus on various economic issues within the respective governments and facilitate progress. Azevedo said that the GoB had many ideas, but was not sure which would work best. He called for engaging the private sector in the economic discussion to the extent possible (using the governments as "catalysts").

14. (U) Under Secretary Jeffery suggested that both countries remain open to bilateral issues and to U.S. - Brazil cooperation in third countries, if appropriate areas could be identified. Azevedo noted that FM Amorim would favorably view this type of bilateral cooperation, especially in Africa and in areas in which both governments shared a common approach and complementary technologies. Ambassador Sobel pointed to HHS Secretary Leavitt's health initiatives in Africa as an example.

-----  
Organization for Economic Cooperation & Development (OECD)  
-----

15. (U) On the basis of a conversation with FM Amorim, Under Secretary Azevedo offered several suggestions. The first concerned

SIPDIS

the Organization for Economic Cooperation and Development (OECD). Azevedo noted that Brazil had been invited to deepen its cooperation with the OECD at the organization's May meeting. He said Foreign Minister Amorim thought it would be helpful for the USG and GoB to discuss expectations for Brazil's involvement in the OECD, including such issues as what membership entails. Azevedo added that constructive U.S. - Brazil cooperation had made possible the recent OECD agreement on civil aircraft. (Comment: In an earlier meeting, Finance Ministry officials indicated to Under Secretary Jeffery that such bilateral discussion in the civair area had been productive and indeed led to an agreement that Brazil joined as a signatory. They added that the GoB now would like to work with OECD on a topic-by-topic, committee-by-committee basis for now in order to see if Brazil was comfortable subscribing to the norms of each OECD item. Within a couple of years, working in this fashion, Brazil would probably be ready to join. End Comment.) Jeffery noted that the OECD was indeed committed to enhanced engagement with Brazil and

BRASILIA 00001819 002.2 OF 003

thought the GoB's idea might be a worthwhile topic.

-----  
Sectorals  
-----

16. (U) Azevedo pointed out that Foreign Minister (FM) Celso Amorim was concerned about the challenges of an increasingly globalized world economy for traditional sectors such as textiles, steel and footwear. He suggested that the MRE and the Department of State facilitate a meeting between U.S. and Brazilian industries in these areas so that the private sector groups together might find areas of mutual cooperation. Perhaps, he suggested, the GoB and USG could offer some assistance, such as facilitation of joint ventures or market studies. All of this assumed, of course, that the industries themselves were interested, Azevedo noted. Jeffery agreed that such discussion must be demand driven. Ambassador Sobel suggested that the automobile industry might, for example, be included in these discussions.

17. (U) Referring to the April visit to Brazil by the Governor John Engler, President of the National Association of Manufacturers (NAM), Azevedo said one by-product of the visit was identification by U.S. and Brazilian companies of possible areas for cooperation. He said the MRE would like to approach Brazilian industry about this.

-----  
Millennium Challenge Account  
-----

¶8. (SBU) Azevedo also raised the Millenium Challenge Account. The GoB would be interested in hearing an explanation of the MCA indicators and process. Brazil might like to emulate this idea, or perhaps become a partner with the USG in offering the Millennium Challenge Account in third countries. Under Secretary Jeffery replied that the USG would welcome the opportunity to exchange knowledge about the program.

-----  
Other Key Issues  
-----

--Infrastructure Investments

¶9. (U) Azevedo said the GoB was interested in working with the USG to explore ways to maximize funds, technology and managerial skills in infrastructure projects in the country, or possibly for the two countries' entities to invest in third countries. He suggested that both governments work together on implementation as well as financing. To that end, he proposed a possible "tripod format" (GoB, Brazilian company, US company) for encouraging infrastructure.

--Investment Promotion

¶10. (U) Azevedo was interested in discussing what steps Brazil could take to create a more attractive investment environment. He advised avoiding discussions within the State-MRE context of investment agreements - specifically bilateral investment treaties (BITs) - since there were other channels for those discussions. He added that there was a lack of support for investment agreements in the Brazilian congress, where 14 BITs were on hold.

--Civil Aviation

¶11. (U) The GoB expressed openness to exploring a possible civil aviation agenda. Azevedo said this was a top priority in Brazil and the GoB would like to find areas in which both countries could work together and establish a positive agenda. He indicated that the MRE would need to further explore this with the Ministry of Defense (which oversees civil aviation in Brazil). Under Secretary Jeffery noted that civil air cooperation has proven fruitful in the past and, given transportation difficulties in the hemisphere, there was an opportunity to make a difference in this area.

--Telecommunications

¶12. (U) Under Secretary Jeffery asked whether the MRE might be interested in telecommunications. Azevedo said that the GoB was interested in discussing telecommunications issues and observed that the challenge would be to find out what areas were open to discussion. He cautioned that, as with other objectives of the economic discussions, both governments should avoid conflicting

BRASILIA 00001819 003.2 OF 003

agendas and look for areas of agreement.

-- Financial structure as it relates to the inter-connectivity of markets in a global economy

-----  
The Way Forward  
-----

¶13. (U) Both sides agreed to consider further these ideas, and to engage in outreach as needed (e.g., Brazil with its private sector). Azevedo suggested working quickly toward an initial agenda so that there would be progress to report to Secretary Rice and FM Amorim before they next meet. Azevedo agreed each side could remain open on the level at which a dialogue should be held (Under Secretary or Assistant Secretary), but suggested that under secretary involvement might be needed at times.

¶14. (U) This cable was cleared by Tom Pierce in E.

Sobel